

17 May 2021

MR. ANTONIO A. GALLARDO
Undersecretary
Presidential Legislative Liaison Office
Senate of the Philippines
Pasay City

Dear **Undersecretary Gallardo**:

We are pleased to submit the Department's position on the proposed legislation, entitled:


Senate Bill No. 1840

“An Act Amending Republic Act No. 8762, Otherwise Known as the ‘Retail Trade Liberalization Act of 2000’, by Lowering the Required Paid-Up Capital for Foreign Retail Enterprises, and for Other Purposes”

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Very truly yours,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

DTI Position on

Senate Bill No. 1840

“An Act Amending Republic Act No. 8762, Otherwise Known as the ‘Retail Trade Liberalization Act of 2000’, by Lowering the Required Paid-Up Capital for Foreign Retail Enterprises, and for Other Purposes”

The Department supports the objective of the proposed legislation to boost foreign investments in the Philippine retail industry towards greater access to diverse consumer products, more competitive local players, further technology and skills transfer, and additional jobs for Filipinos.

The importance of the retail trade industry to the Philippine economy is evidenced by the 200% growth of its gross value-added (GVA) having reached PhP2.6 trillion in 2020 from PhP873.1 billion in 2000. Further, its share to total gross domestic product (GDP) has also modestly increased to 14.9% in 2020 from 12.5% in 2000 (See *Annex Figure 1*).

In addition, the retail trade industry is a top source of entrepreneurial and employment opportunities. The industry has the highest share to total establishments at 46.3% and provides 2.2 million jobs or 24.9% of total employment, which is followed by manufacturing at only 14.4% and 18.1% of total establishments and employment, respectively. The distribution of establishments and employment skewing heavily towards micro and small enterprises shows the industry’s significant contribution to inclusive growth¹ (See *Annex Tables 1 and 2*).

However, data on foreign direct investments (FDI) flows into the retail trade industry has been inconsistent (See *Annex Figure 2*). The initial opening up of the industry through the enactment of Republic Act (RA) No. 8762 or the Retail Trade Liberalization Act of 2000 showed an investment surge to USD31.33 million in 2000 from a zero base the previous year but this was not sustained as inflows saw an abrupt decline the following year to just USD1.83 million. The volatility of FDI flows to the industry continued as it registered a high of USD208.2 million in 2016 only to continuously drop in the succeeding years and registering outflows of USD18 million and USD243 million in 2018 and 2019, respectively. This is further supported by the limited number of foreign retailers that are able to establish their presence in the country with the Board of Investments (BOI) only having pre-qualified 49 foreign retailers since the law’s enactment (See *Annex Table 3*). Despite the law’s objective, the current policy structure has been unable to attract and sustain investor interest.

Pursuing further reforms in the Philippine retail trade industry becomes more crucial as the industry has persistently received one of the highest FDI inflows to the ASEAN region at an average share of 13.9% together with manufacturing and financial and insurance activities (See *Annex Figure 3*). During its peak in 2017,

¹ As of latest List of Establishments by the Philippine Statistics Authority (PSA)

FDI inflows to the retail trade industry in ASEAN reached USD29.7 billion, of which only 0.3% or USD83.1 million was received by the Philippines.

This may be due to the relatively limiting Philippine policy on retail trade vis-à-vis its ASEAN neighbors. The FDI Restrictiveness index developed by the Organisation for Economic Co-operation and Development (OECD), which considers foreign equity, key personnel, and operation personnel restrictions; and screening and approval measures, ranges from zero (0) to one (1) with a higher score indicating a more restrictive regime.

While the Philippine retail trade industry has significantly liberalized from an index score of one (1) in 1997 when no foreign equity was allowed down to 0.24 in 2019, it is still the 4th most restrictive country in the ASEAN. Moreover, its index score is still above the average of non-OECD countries and OECD countries at 0.157 and 0.018, respectively (See *Annex Figure 4*).

Amending the Retail Trade Liberalization Act, which has been in place for two (2) decades, may move the Philippines at a more competitive position to attract and encourage greater investments as a number of ASEAN member states have recently been instituting reforms aimed at liberalizing their retail trade industry. Lao People's Democratic Republic allowed foreign individuals and legal entities to operate wholesale and retail businesses in 2015 through Decision No. 1005 while Indonesia loosened foreign investment limits in 2016 by revising its Negative Investment List through Presidential Regulation No. 44. In 2018, Myanmar also liberalized foreign investment limits through Notification No. 25. Vietnam removed the need for an economic need test for mini-supermarkets and convenience stores through Decree No. 09. Most recently, Malaysia removed restrictive requirements in 2020 through its Revised Guidelines on Foreign Participation in the Distributive Trade Services (See *Annex Table 3*).

Data shows that there are 33 investment leads as of 2020 in the retail trade industry, four (4) of which have an estimated investment value of PhP700 million and job generation of 2,250 employees that may potentially enter the country given lower restrictions (See *Annex Table 4*).

The liberalization of the retail trade industry exposes local enterprises to market competition with foreign retailers, which will encourage them to enhance their capabilities in terms of producing high quality commodities at a competitive price. Local players must adapt to the challenges brought about by competition with foreign retailers and work on developing their productivity in order to achieve industrial growth. The capacity to produce high-quality products needs to be balanced with the ability to sell at low and competitive prices, which may be achieved with effective sourcing of raw materials and inputs.

As more players are allowed to enter into the retail trade industry, there will be more competition, bringing down the cost of listing fees for manufacturers' products to be sold in retail establishments (e.g., supermarkets). Currently, the limited number of retail establishments forces manufacturers to pay higher listing fees or shelf and gondola rentals. With more players, micro, small, and medium

enterprises (MSMEs) will have more options of retailers to sell to, giving their products more exposure and lowering the costs of merchandising.

The liberalization of the retail trade industry increases the flow of capital into the country and provides local players access to capital that may result in collaboration, partnerships, and joint ventures. This further integrates the retail trade industry into the global market, allowing them to adopt international best practices, gain from knowledge and technological transfers, and innovate.

Relative to the stipulations under the proposed legislation, DTI submits its specific comments and recommendations including:

Stipulations under Senate Bill No. (SBN) 1840	DTI Comments/Recommendations
<p>“Sec 1. Section 3 of Republic Act No. 8762 is hereby amended to read as follows:</p> <p>‘SEC. 3. Definition – As used in this Act. (1) “<i>Retail Trade</i>” shall mean any act, occupation, or calling of habitually selling direct to the general public merchandise, commodities or goods for consumption, but the restriction of this law shall not apply to the following:</p> <p>XXX</p> <p>(E) ACTIVITIES OF A RETAIL E-COMMERCE PLATFORM OPERATOR: PROVIDED, THAT THE RETAIL E-COMMERCE PLATFORM OPERATOR IS NOT ENGAGED IN ACTIVITIES AS AN INDEPENDENT PLATFORM E-COMMERCE RETAILER AS DEFINED UNDER THIS ACT] [(2) XXX] (2) ‘COMMERCIAL ESTABLISHMENT OPERATORS’ SHALL REFER TO ANY PERSON, PARTNERSHIP, OR CORPORATION WHICH OPERATES ANY BUILDING</p>	<ul style="list-style-type: none"> • To uphold equal treatment of retailers whether they operate offline or online, we recommend updating the definition of retail trade to read as follows: “SEC. 3. Definition – As used in this Act. (1) “<i>Retail Trade</i>” shall mean any act, occupation, or calling of habitually selling direct to the general public merchandise, commodities or goods for consumption, <u>WHETHER DONE THROUGH PHYSICAL STORES OR THROUGH THE INTERNET OR OTHER ELECTRONIC MEANS,</u> but the restriction of this law shall not apply to the following.” • In consideration of our proposal to omit Section 6 of the proposed legislation, we also suggest to delete the definitions under Section 1 (E) as these terms will no longer be used in the body of the law.

OR SPACE USED FOR CONDUCTING RETAIL TRADE TRANSACTIONS SUCH AS MALLS, ARCADES, MARKETS, AND SHOPPING CENTERS.

(3) 'RETAIL E-COMMERCE' SHALL MEAN THE ACTIVITY OF ENGAGING IN RETAIL TRADE VIA THE INTERNET OR OTHER INFORMATION NETWORK.

(4) 'RETAIL E-COMMERCE PLATFORM OPERATOR' SHALL REFER TO ANY PERSON, PARTNERSHIP, OR CORPORATION WHICH, IN A RETAIL E-COMMERCE CONTEXT, PROVIDES PARTIES TO TRANSACTIONS WITH SERVICES SUCH AS OFFERING ONLINE BUSINESS PREMISES, DEAL MAKING, AND RELEASING INFORMATION, FOR THEM TO INDEPENDENTLY CONDUCT RETAIL ACTIVITIES: PROVIDED, THAT, IF THE RETAIL E-COMMERCE PLATFORM OPERATOR ENGAGES IN RETAIL TRADE, IT SHALL BE CLASSIFIED AS AN INDEPENDENT PLATFORM E-COMMERCE RETAILER.

(5) 'INDEPENDENT PLATFORM E-COMMERCE RETAILER' SHALL REFER TO ANY PERSON, PARTNERSHIP, OR CORPORATION THAT ENGAGES IN RETAIL TRADE VIA A SELF-BUILT RETAIL E-COMMERCE PLATFORM.

(6) 'ONLINE PLATFORM' SHALL REFER TO A DIGITAL SERVICE THAT FACILITIATES

<p>INTERACTIONS BETWEEN TWO OR MORE DISTINCT BUT INDEPENDENT SETS OF USERS, WHETHER FIRMS OR INDIVIDUALS, WHO INTERACT THROUGH THE SERVICE VIA THE INTERNET AND OTHER INFORMATION NETWORK.</p> <p>(7) 'ON-PLATFORM E-COMMERCE RETAILER' SHALL REFER TO ANY PERSON, PARTNERSHIP, OR CORPORATION THAT ENGAGES IN RETAIL TRADE VIA A RETAIL E-COMMERCE PLATFORM OPERATED BY A RETAIL E-COMMERCE PLATFORM OPERATOR OR VIA AN ONLINE PLATFORM.</p>	
<p>XXX'</p> <p>"Sec 2. Section 5 of Republic Act No. 8762 is hereby amended to read as follows:</p> <p>'SEC. 5. Foreign Equity Participation. - Foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the Securities and Exchange Commission (SEC) [and the Department of Trade and Industry], or in case of foreign-owned single proprietorships, UPON REGISTRATION with the [DTI], DEPARTMENT OF TRADE AND INDUSTRY (DTI), engage or invest in the retail trade business [, subject to the following categories:]</p> <p>PROVIDED, THAT SUCH FOREIGN-OWNED PARTNERSHIPS, CORPORATIONS, OR SINGLE PROPRIETORSHIPS</p>	<ul style="list-style-type: none"> • The Department supports the threshold of USD300 thousand for the minimum paid-up capital requirement for retail enterprises as a means to address the restrictive requirements under RA No. 8762 of USD200 million net worth that foreign investors find very difficult to hurdle and was purposely included to limit the entry of foreign retailers to huge corporations only as well as the USD830 thousand investment per branch requirement that prevents the inflow of investment here in the country. • The lower threshold roughly converts to Php15 million, which is the upper bound asset size requirement for micro and small enterprises (MSEs), allowing for this segment to remain exclusive to Filipinos. This is seen to strike a balance between encouraging foreign investments and stimulating the development of our domestic retail sector.

COMPLY WITH THE FOLLOWING CONDITIONS:

‘(A) FOREIGN RETAILERS SHALL HAVE A MINIMUM PAID-UP CAPITAL OF THE EQUIVALENT IN PHILIPPINE PESO OF THREE HUNDRED THOUSAND US DOLLARS (USD\$300,000.00);

‘(B) THE FOREIGN RETAILER’S COUNTRY OF ORIGIN ALLOWS THE ENTRY OF FILIPINO RETAILERS;

‘(C) IN THE CASE OF FOREIGN RETAILERS ENGAGED IN RETAIL TRADE THROUGH MORE THAN ONE PHYSICAL STORE, THE INVESTMENT FOR EACH STORE MUST BE EQUIVALENT IN PHILIPPINE PESOS OF AT LEAST ONE HUNDRED FIFTY THOUSAND US DOLLARS (USD\$150,000.00); AND

‘(D) IN THE CASE OF FOREIGN INDEPENDENT PLATFORM E-COMMERCE RETAILERS, FOREIGN ON-PLATFORM E-COMMERCE RETAILERS, OR ANY OTHER FOREIGN RETAILER WITHOUT A PHYSICAL STORE IN THE PHILIPPINES, THEY MUST HAVE A FIXED PLACE OF BUSINESS IN THE PHILIPPINES SUCH AS A PLACE OF MANAGEMENT, A PHYSICAL OFFICE HOUSING THEIR STAFF OR EMPLOYEES, OR A WAREHOUSE.

XXX

‘The foreign [investor] RETAILER shall be required to maintain in the Philippines AT ALL TIMES the [full amount of

- We also recommend the following amendments:

“(C) IN THE CASE OF FOREIGN RETAILERS ENGAGED IN RETAIL TRADE THROUGH MORE THAN ONE PHYSICAL STORE OR FIXED PLACE OF BUSINESS, THE INVESTMENT FOR EACH ADDITIONAL STORE OR FIXED PLACE OF BUSINESS MUST BE EQUIVALENT IN PHILIPPINE PESOS OF AT LEAST ONE HUNDRED FIFTY THOUSAND US DOLLARS (USD150,000.00); AND”

- This is to cover the situations wherein foreign retailers may be utilizing spaces such as warehouses in conducting their retail trade businesses in the Philippines. With this amendment, it would now be clear that aside from the USD300 thousand minimum paid-up capital required of foreign retailers, they would in addition be required to maintain an additional USD150 thousand for each additional store or fixed place of business they maintain in the Philippines.
- Further, this set-up encourages smaller offshore retailers to partner with local platforms and retailers and ensure sufficient protection to small-scale retailers while allowing robust competition to larger players.

~~the prescribed minimum]~~
PAID-UP capital **OF THREE HUNDRED THOUSAND US DOLLARS (USD \$300,000.00)**, unless the foreign ~~[investor]~~ **RETAILER** has notified the SEC ~~[and]~~ **OR** the DTI **IN THE CASE OF FOREIGN-OWNED SINGLE PROPRIETORSHIPS** of its intention to repatriate its capital and cease operations in the Philippines. The actual use in Philippine operations of the ~~[inwardly remitted]~~ minimum **PAID-UP** capital ~~[requirement]~~ shall be monitored by the SEC **IN THE CASE OF FOREIGN-OWNED CORPORATIONS OR PARTNERSHIPS OR BY THE DTI IN THE CASE OF FOREIGN-OWNED SINGLE PROPRIETORSHIPS.**

'Failure to maintain **IN THE PHILIPPINES** ~~[the full amount of the prescribed minimum capital]~~ **THE PAID-UP CAPITAL REQUIRED IN THE PRECEDING PARAGRAPH**, prior to notification of the SEC ~~[and]~~ **OR** the DTI, **WHICHEVER IS APPROPRIATE**, shall subject the foreign ~~[investor]~~ **RETAILER** to penalties or restrictions on any future trading activities/business in the Philippines.

'**FOR PURPOSES OF REGISTRATION WITH THE SEC OR THE DTI**, THE foreign ~~[retail stores]~~ **RETAILER** shall ~~[secure a certification from the Bangko Sentral ng Pilipinas (BSP) and the DTI which will verify or confirm]~~ **SUBMIT PROOF OF** inward remittance of **ITS** ~~[the minimum required]~~ capital investment **TO ITS ACCOUNT WITH A BANK IN**

<p>THE PHILIPPINES, SUCH AS THE BANGKO SENTRAL REGISTRATION DOCUMENT OR A CERTIFICATE OF INWARD REMITTANCE OF FOREIGN EXCHANGE ISSUED BY THE BANK IN THE FORM PRESCRIBED BY THE <i>BANGKO SENTRAL NG PILIPINAS (BSP)</i>.”</p>	
<p>“Sec 3. Section 6 of Republic Act No. 8762 is hereby amended to read as follows:</p> <p>“SEC. 6. [Foreign Investors Acquiring Shares of Stock of Local Retailers - XXX]</p> <p>RESPONSIBILITIES OF COMMERCIAL ESTABLISHMENT OPERATORS, RETAIL E-COMMERCE PLATFORM OPERATORS, ONLINE PLATFORM OPERATORS, AND ANY OTHER OPERATORS OF PLATFORMS USED BY FOREIGN RETAILERS. – FOR THE PURPOSE OF MONITORING COMPLIANCE WITH THIS ACT, ALL COMMERCIAL ESTABLISHMENT OPERATORS IN THE PHILIPPINES AS WELL AS RETAIL E-COMMERCE PLATFORM OPERATORS, ONLINE PLATFORM OPERATORS AND OPERATORS OF ANY OTHER PLATFORMS USED BY FOREIGN RETAILERS SHALL:</p> <p>‘(A) ENSURE THAT THEIR FOREIGN RETAILERS ARE REGISTERED WITH THE SEC OR THE DTI, WHICHEVER IS APPROPRIATE. IN THE CASE OF RETAIL E-</p>	<ul style="list-style-type: none"> • The amendments to RA No. 8762 are oriented towards integrating online retail enterprises and their associated entities into the existing framework of the law. Any differentiation in treatment of offline and online retail enterprises always stands risk to scrutiny as to whether or not the equal protection clause would be violated – any varying treatment should be justified by a rational basis. It appears that the additional registration requirement that Section 6 (a) imposes on e-commerce businesses, as well as the unique penalty for violation of failures to duly register, would not satisfy rational basis. Moreover, the law itself already establishes the coverage of such retail enterprises under the regulatory regime of the RTLA – Section 6 (a) is unnecessary. • While Section 6 (b) is not per se objectionable, the entirety of Section 6 establishes rules that are unique to online businesses, which may not be entirely justified under equal protection grounds. Therefore, the entire Section 6 can be omitted, with the requirements under Section 6 (b) instituted through an administrative issuance.

<p>COMMERCE PLATFORM OPERATORS, ONLINE PLATFORM OPERATORS, AND OPERATORS OF ANY OTHER PLATFORMS USED BY FOREIGN RETAILERS, SUCH INFORMATION SHALL BE DISPLAYED IN THEIR PLATFORMS; AND (B) SUBMIT TO THE SEC OR THE DTI, WHICHEVER IS APPROPRIATE, A LIST OF ALL FOREIGN RETAILERS ON A QUARTERLY BASIS. 'THE SEC AND THE DTI SHALL REVIEW THE LIST SUBMITTED BY THE COMMERCIAL ESTABLISHMENT OPERATORS, RETAIL E-COMMERCE PLATFORM OPERATORS, ONLINE PLATFORM OPERATORS, AND OPERATORS OF ANY OTHER PLATFORMS USED BY FOREIGN RETAILERS, AND ENSURE THAT FOREIGN RETAILERS COMPLY WITH THE REQUIREMENTS OF THIS ACT."</p>	
<p>"Sec 4. Section 7 of Republic Act No. 8762 is hereby amended to read as follows:</p> <p>"SEC. 7. [Public Offering of Shares of Stock. — All retail trade enterprises under Categories B and C in which foreign ownership exceeds eighty percent (80%) of equity shall offer a minimum of thirty percent (30%) of their equity to the public through any stock exchange in the Philippines within eight (8) years from their start of operations.]</p> <p>REVIEW OF THE MINIMUM PAID-UP CAPITAL REQUIREMENT. – THE DTI,</p>	<ul style="list-style-type: none"> • We recommend a transitory provision on the deletion of the requirement for retail trade enterprises to publicly offer shares of stock to ensure the consistency of the application of the new law to foreign retailers registered under RA No. 8762. • The DTI fully supports institutionalizing an automatic review of the minimum paid-up capital requirements every five

<p>SEC, BSP AND THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) SHALL REVIEW THE REQUIRED MINIMUM PAID-UP CAPITAL EVERY FIVE (5) YEARS FROM THE EFFECTIVITY OF THIS ACT. THE RECOMMENDATION OF THE DTI, SEC, BSP AND NEDA SHALL BE SUBMITTED TO CONGRESS.”</p>	<p>(5) years to ensure the flexibility of the law.</p>
<p>“Sec. 5. Section 8 of Republic Act No. 8762 is hereby amended to read as follows:</p> <p>“SEC. 8. [<i>Qualification of Foreign Retailers</i>—No Foreign retailer shall be allowed to engage in retail trade in the Philippines unless all the following qualifications are met:</p> <p>XXX]”</p> <p>PENALTY CLAUSE – ANY COMMERCIAL ESTABLISHMENT OPERATOR, RETAIL E-COMMERCE PLATFORM OPERATOR, ONLINE PLATFORM OPERATOR, OR ANY OTHER PLATFORM OPERATOR USED BY FOREIGN RETAILERS THAT FAILS OR REFUSES TO</p>	<ul style="list-style-type: none"> • The DTI poses no objection to the removal of the directive requiring foreign retailers seeking to engage in retail trade in the Philippines to file an application for pre-qualification with the Board of Investments (BOI) before its incorporation with the Securities and Exchange Commission (SEC) (See <i>Annex Figure 5</i>), as it constitutes liberalization of the retail trade industry by removing restrictive requirements. • We opine that it furthers the objective of RA No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018. • Further, we propose the insertion of a transitory provision: <p style="margin-left: 40px;">“SEC XX. “TRANSITORY PROVISION – FOREIGN RETAILERS PREQUALIFIED UNDER REPUBLIC ACT NO. 8762 SHALL NO LONGER BE REQUIRED TO COMPLY WITH THE REQUIREMENTS UNDER THIS ACT.”</p> • In line with our suggestion to omit Section 6 of the proposed legislation, we likewise recommend the deletion of the accompanying penalty clause.

<p>COMPLY WITH THE OBLIGATIONS UNDER SECTION 5 OF THIS ACT SHALL PAY A PENALTY OF NOT LESS THAN FIFTY THOUSAND PESOS (P50,000.00) BUT NOT MORE THAN FIVE HUNDRED THOUSAND (P500,000.00) FOR EACH VIOLATION AND A SIMILAR AMOUNT OF PENALTY FOR EACH DAY THERAFTER UNTIL THE REPORTORIAL OBLIGATION IS COMPLIED WITH. A SIMILAR FINE SHALL BE IMPOSED ON ANY COMMERCIAL ESTABLISHMENT OPERATOR, RETAIL E-COMMERCE PLATFORM OPERATOR, OR ONLINE PLATFORM OPERATOR WHICH SHALL, INTENTIONALLY OR NEGLIGENTLY SUPPLY INCORRECT OR MISLEADING INFORMATION IN ITS REPORT.</p> <p>XXX”</p>	
<p>“Sec. 6. Section 9 of Republic Act No. 8762 is hereby deleted and succeeding 8 sections renumbered accordingly.”</p>	<ul style="list-style-type: none"> • We recommend retaining this section to promote locally-manufactured products and further amend it to require 20% of the aggregate cost of the stock of inventory. The Department’s proposed language is as follows: <p>“SEC XX. PROMOTION OF LOCALLY-MANUFACTURED PRODUCTS. – AT LEAST TWENTY PERCENT (20%) OF THE FOREIGN RETAILER/FOREIGN INVESTOR'S STOCK INVENTORY</p>

	SHALL BE LOCALLY PRODUCED. FURTHER, AT LEAST TEN PERCENT (10%) THEREOF SHALL BE SOURCED FROM MICRO, SMALL, AND MEDIUM ENTERPRISES"
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The Department reiterates its support for the objective of the proposed legislation taking into consideration its comments and recommendations to attain both increase in investments and domestic enterprise development.



Bureau of Trade and Industrial Policy Research

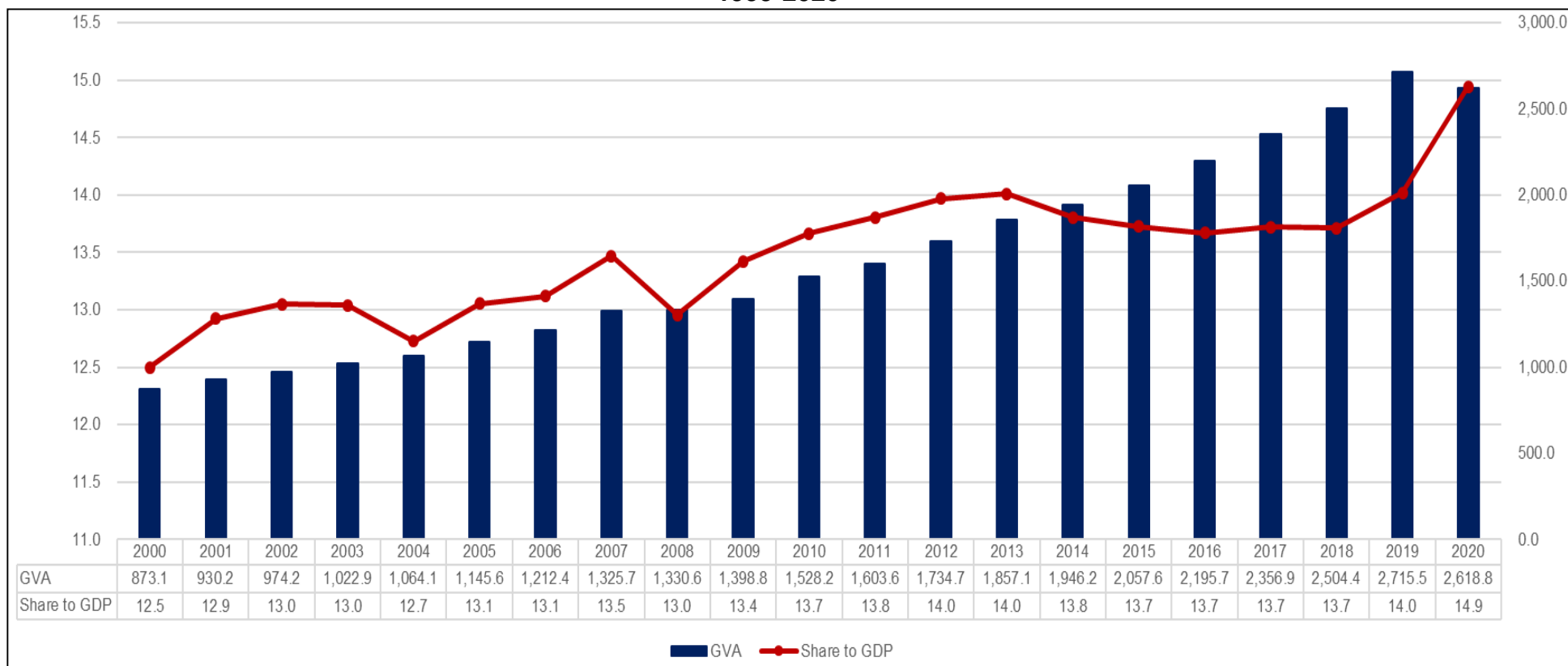
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ANNEX

Figure 1. Retail Trade Gross Value-Added (in PHP billions) and Share to Gross Domestic Product (%), at Constant 2000 Prices, 1999-2020



Source: Philippine Statistics Authority

Table 1. Number of Establishments by Industry, 2019

Industry	Number of Establishments				
	Total	Micro	Small	Medium	Large
	1,000,506	891,044	99,936	4,765	4,761
G - Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	463,049	429,239	32,281	972	557
I - Accommodation and Food Service Activities	144,108	126,815	16,909	300	84
C - Manufacturing	116,470	103,471	10,871	1,045	1,083
S - Other Service Activities	65,924	62,759	3,146	13	6
K - Financial and Insurance Activities	46,293	38,223	7,714	163	193
J - Information and Communication	29,697	27,541	1,838	169	149
Q - Human Health and Social Work Activities	28,637	25,981	2,214	212	230
N - Administrative and Support Service Activities	18,504	14,138	2,861	441	1,064
P - Education	17,937	9,195	8,035	426	281
M - Professional, Scientific and Technical Activities	15,783	13,629	1,939	114	101
R - Arts, Entertainment, and Recreation	15,322	13,823	1,427	32	40
L - Real Estate Activities	11,606	9,498	1,961	76	71
H - Transport and Storage	10,675	7,012	3,214	238	211
A - Agriculture, Forestry, and Fishing	8,640	5,998	2,320	169	153
F - Construction	4,334	2,089	1,654	217	374
E - Water Supply; Sewerage, Waste Management and Remediation Activities	1,460	685	693	45	37
D - Electricity, Gas, Steam, and Air Conditioning Supply	1,307	469	635	110	93
B - Mining and Quarrying	760	479	224	23	34

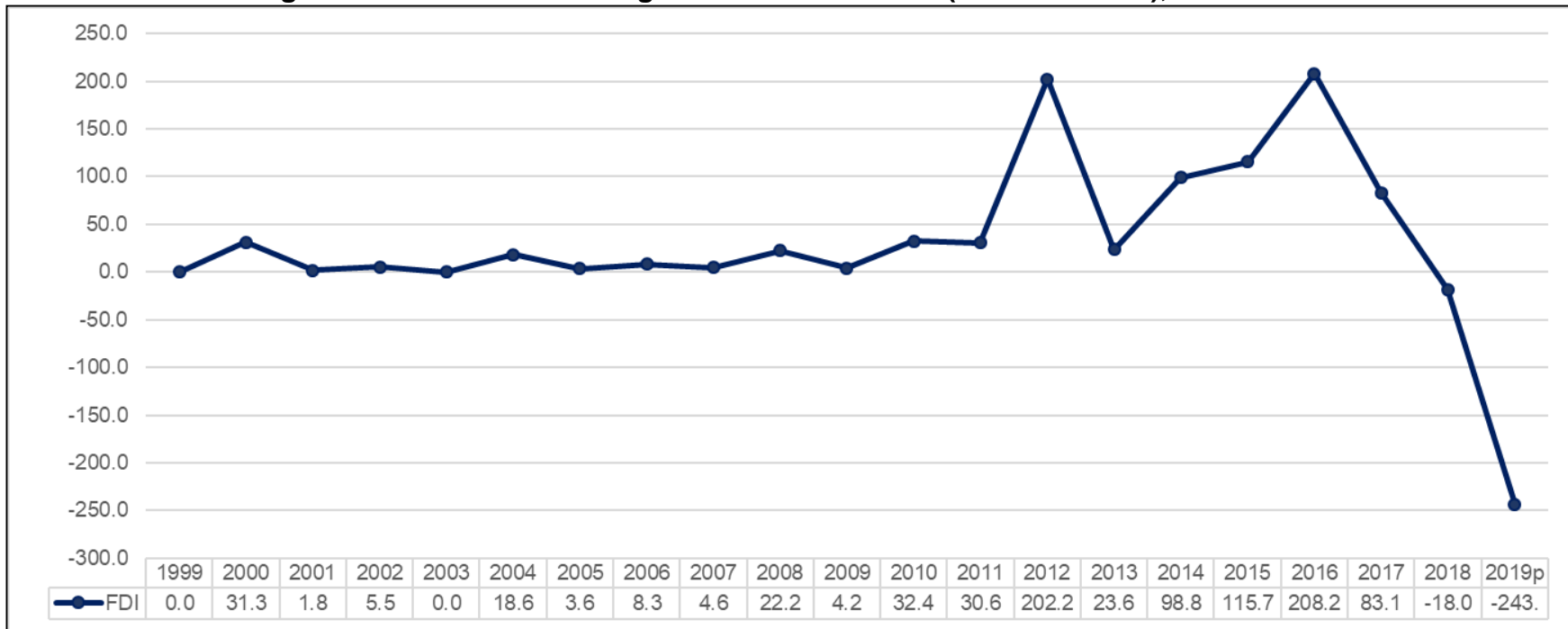
Source: Philippine Statistics Authority

Table 2. Number of Employment by Industry, 2019

Industry	Total Employment				
	Total	Micro	Small	Medium	Large
	8,826,335	2,631,165	2,228,204	651,391	3,315,575
G - Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	2,199,937	1,207,675	644,508	132,044	215,710
C - Manufacturing	1,594,947	312,862	287,977	146,275	847,833
N - Administrative and Support Service Activities	1,220,967	42,317	81,682	60,163	1,036,805
I - Accommodation and Food Service Activities	840,068	410,313	356,968	37,800	34,987
K - Financial and Insurance Activities	460,604	147,746	137,118	22,452	153,288
P - Education	421,583	40,197	204,298	58,819	118,269
F - Construction	344,968	8,566	51,089	29,446	255,867
Q - Human Health and Social Work Activities	262,303	67,462	58,630	29,823	106,388
H - Transport and Storage	261,503	26,570	85,142	31,418	118,373
J - Information and Communication	243,628	56,247	49,156	23,365	114,860
S - Other Service Activities	223,534	173,115	47,059	1,695	1,665
A - Agriculture, Forestry, and Fishing	191,175	21,991	59,107	22,435	87,642
M - Professional, Scientific and Technical Activities	183,273	43,069	48,142	15,997	76,065
L - Real Estate Activities	114,241	28,702	47,208	10,007	28,324
R - Arts, Entertainment, and Recreation	106,039	37,117	25,842	4,146	38,934
D - Electricity, Gas, Steam, and Air Conditioning Supply	71,877	2,107	18,337	16,252	35,181
E - Water Supply; Sewerage, Waste Management and Remediation Activities	43,305	3,218	18,931	6,112	15,044
B - Mining and Quarrying	42,383	1,891	7,010	3,142	30,340

Source: Philippine Statistics Authority

Figure 2. Retail Trade² Foreign Direct Investments (in USD million), 1999-2019^P



^P : Preliminary

Source: *Bangko Sentral ng Pilipinas*

² Referred to as Trade/Commerce from 1999 to 2010 based on 1994 PSIC and referred to as Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles from 2011-2018 based on 2009 PSIC

Table 3. List of Foreign Retailers Pre-Qualified Pursuant to RA No. 8762

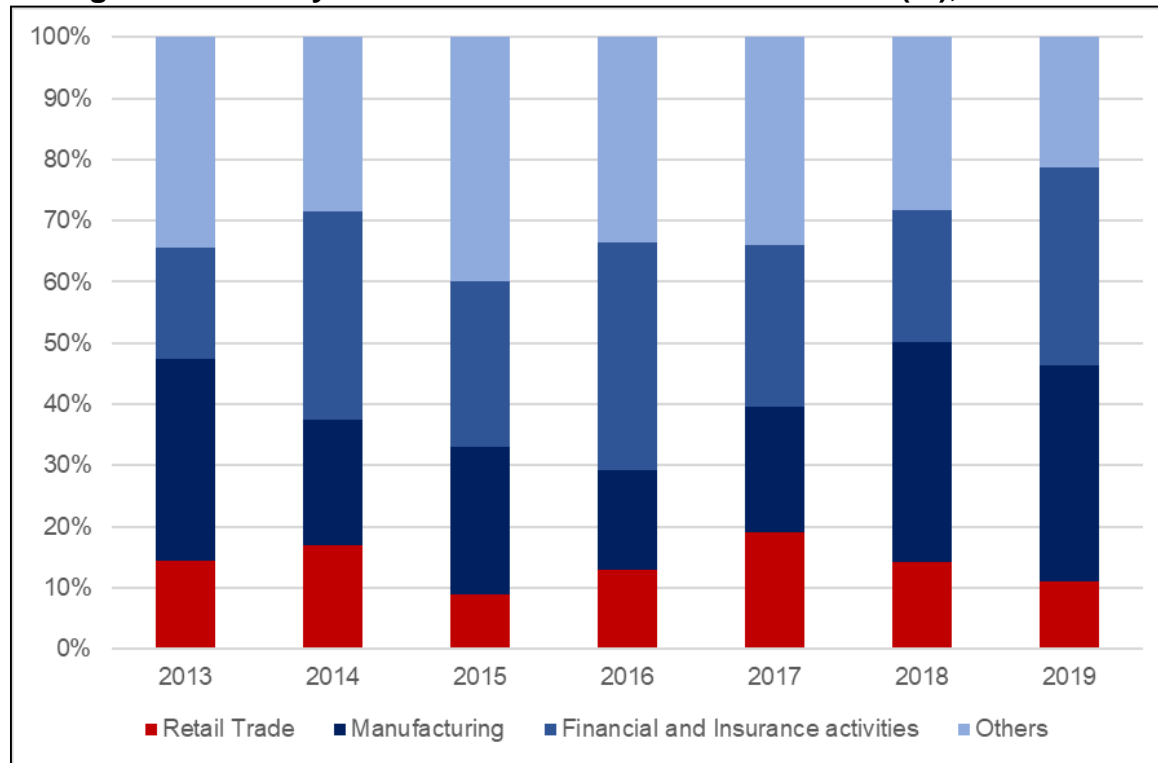
RETAILER	DATE PRE-QUALIFIED	CATEGORY	PAID-UP CAPITAL (Php)
Adidas Salomon AG (Adidas Philippines, Inc.)	November 27, 2001	D	313,467,000.00
Golden Arches Dev. Corp. (Mc Donald's)	November 27, 2001	B	99,444,000.00
Watsons Personal Care Stores Holdings B.V. (Watsons Personal Care Stores (Phils.) Ltd.)	January 10, 2002	B	665,000,000.00
Louis Vuitton Malletier S.A. (Louis Vuitton Philippines, Inc.)	December 29, 2003	B	41,662,500.00
Tan Chong Int'l. Ltd. (Motor Image Pilipinas, Inc.)	November 30, 2004	D	137,625,000.00
Mitsui & Co., Ltd. (Lexus Manila)	July 5, 2005	B	231,000,000,000.00
L' Oreal S.A. (L' Oreal Philippines, Inc.)	February 28, 2006	B	691,549,999.72
Marionnaud Philippines, Inc.	October 12, 2006	D	40,000,000.00
Samsonite Corporation (Samsonite Phils., Inc.)	March 19, 2008	D	61,600,000.00
Forever Agape & Glory, Inc. (Forever 21)	June 13, 2010	B	120,000,000.00
Fast Retailing Company Pte, Ltd. (Fast Retailing Phils., Inc)	January 31, 2012	B	400,000,000.00
Mulgrave Corporation B.V. (Rustan Supercenters, Inc.)	March 6, 2012	B	3,496,843,700.00
A CJO Shopping Company, Ltd (CJO Shopping Corporation)	July 16, 2013	B	214,900,000.00
H&M Hennes and Mauritz, International A.B.	October 14, 2013	B	894,085,400.00
Osim International Pte. Ltd. (Diverse Retailz) (Oni Global Distribution Corp.)	November 12, 2013	B	10,962,500.00
Family Mart CVS, Inc. (Philippine Family Mart CVS, Inc.)	November 13, 2013	B	1,699,000.00

Cemthai Ceramics Company Ltd. (Mariwasa-Siam Ceramics, Inc.)	December 2, 2015	B	600,000,000.00
Johnson Health Tech Co., Ltd. (Johnson Health Tech Phils., Inc.)	January 6, 2016	D	63,483,800.00
Estee Lauder International, Inc. (ELC Beauty, Inc.)	May 11, 2016	D	10,300,000.00
Decathlon S.A (Sports Store)	December 5, 2016	B	410,000,000.00
Ikano Pte. Ltd Inc. (Ikano Philippines, Inc.)	December 5, 2016	B	123,400,847.50
Oak Lawn Marketing, Inc	December 14, 2016	B	No Data Available
Ryohin Keikaku Co., Ltd. (Muji Philippines Corp)	March 6, 2017	B	175,000,000.00
Global Fashion Group (BF Jade E-Services Phils., Inc.)	August 7, 2017	B	150,000,000.00
Zensho Holdings Co. Ltd	September 4, 2017	B	150,000,000.00
Destination Resorts Co. Ltd	October 18, 2017	B	No Data Available
Mulgrave Corporation B.V. (Rose Pharmacy, Inc.)	December 15, 2017	B	2,434,419,600.00
SSP Financing Ltd. (Selective Service Partner Philippines Corporation)	May 7, 2018	B	US\$ 3,850,000.00
Lawson, Inc. (PG Lawson Company, Inc.)	May 12, 2018	B	Php 800,000,000.00
Osim International Pte. Ltd. (Diverse Retailz) (Oni Global Distribution Corp.)	June 25, 2018	B	13,092,471.00
Carissa Balsam Sdn. Bhd (Mr. DIY)	August 13, 2018	B	Php 50,000,000.00*
Destination Resorts Co. Ltd	November 12, 2018	B	US\$ 2,500,000.00*
Toyota Corolla Sapporo Corporation	November 19, 2018	B	US\$ 1,400,000,000.00*
Bulgari S.p.A.	December 19, 2018	D	US\$ 500,000.00*
Stefano Ricci- S.p.A.	February 26, 2019	D	EUROS 4,000,000.00*
Christian Dior Far East Limited	March 4, 2019	D	US\$ 14,700,000.00*
Panda Restaurant Group, Inc.	March 11, 2019	B	US\$ 40,000,000.00*
Melaleuca of the Philippines	March 25, 2019	B	US\$ 2,500,000.00*

Sojitz Corporation	June 3, 2019	B	199,999,500.00
MOS Food Services, Inc.	August 5, 2019	B	Php 200,000,000.00*
Asia Yoshinoya International Sdn. Bhd.	September 9, 2019	B	US\$ 2,500,000.00*
PARIS MIKI HOLDINGS, INC.	September 30, 2019	B	137,000,000.00
HLA GARMENT CO., LIMITEDAS	November 25, 2019	B	Php 135,000,000.00*
ISETAN MITSUKOSHI HOLDINGS LTD.	January 27, 2020	B	Php 523,000,000.00*
FENDI SRL	May 27, 2020	B	no data available
HEINEKEN INTERNATIONAL B.V.	June 22, 2020	B	3,678,280,000.00
CELINE SA	December 9, 2020	D	US\$ 5,809,000.00*
Hai Di Lao	December 9, 2020	B	US\$ 2,500,000.00*
LENOVO INTERNAIONAL COOPERATIEF U.A.	December 28, 2020	B	US\$ 2,500,000.00*

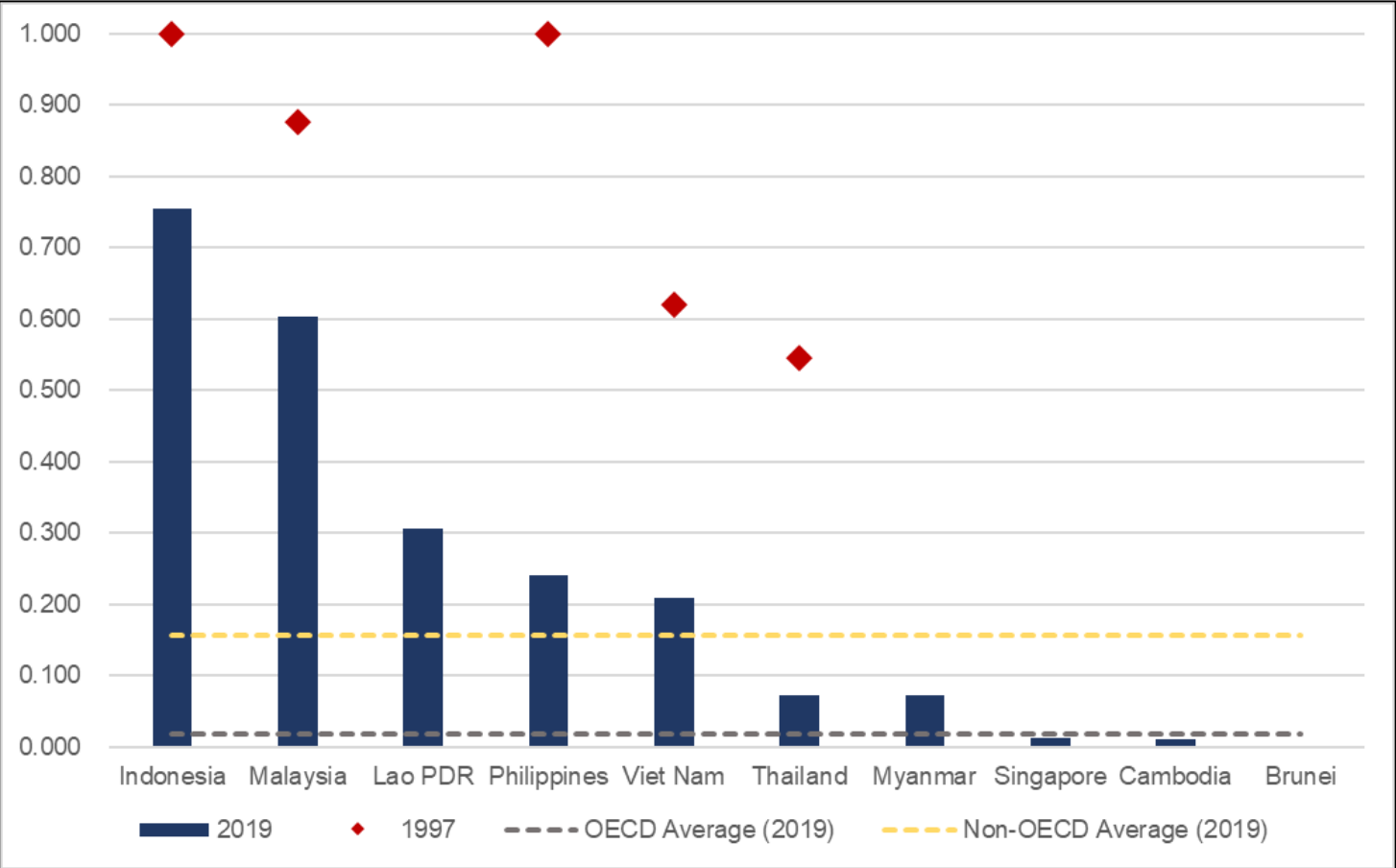
*based on firms' representation during application

Figure 3. Industry Share to Total FDI inflows to ASEAN (%), 2013-2019



Source: ASEAN Statistics

Figure 4. FDI Restrictiveness Index in the Retail Trade Industry, ASEAN Member States, 1997 and 2019



Source: Organisation for Economic Co-operation and Development

Table 3. Restrictions on Retail Trade in the Association of Southeast Asian Nations (ASEAN)

Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
<p>There is no restriction on total foreign ownership of companies incorporated in Brunei.</p> <p>Foreign owned incorporated companies (but not sole proprietorships and partnerships), branches, and representative offices are required to have at least one of the two directors – or if more than two directors, at least two of them – to be ordinarily resident in Brunei, but exemptions</p>	<p>No restriction on FDI for retail >200m² (GATS/SC/140).</p>	<p>Foreign ownership of maximum 67% is allowed for department stores with retail space of 400 square meters to 2,000 square meters that are located in a mall and not a stand-alone. The addition of outlet stores shall be based on export or performance.</p> <p>Activities in the retail industry that are closed to</p>	<p>100% foreign owned enterprise if registered capital is at least LAK20 billion.</p> <p>Not more than 70% foreign owned enterprise if registered capital is at least LAK10 billion.</p> <p>Not more than 50% foreign owned enterprise if registered capital is at least LAK4 billion.</p> <p>(Decision on Wholesale and Retail Business</p>	<p>Aside from local incorporation and the approval of the Committee on Distributive Trade, the minimum capital requirement for foreign investments are RM50million for hypermarkets (>5,000 square meters), RM20 million for departmental stores (<1,000 square meters but <4,999 square meters), RM 25 million for superstores (<3,000 square meters but <4,999 square meters), RM1 million for specialty stores, convenience stores, and distribution centers.</p> <p>Foreign participation is not allowed in supermarkets/minimarkets, provision shop/general vendor,</p>	<p>A 100% foreign owned enterprise or a joint venture with less than 20% equity held by a Myanmar citizen is permitted provided that it has an initial investment of USD3 million. A joint venture with more than 20% equity held by a Myanmar citizen is required a lower initial investment of USD700 thousand.</p> <p>However, no retail activities are allowed in any premise less than 929 square meters, including mini markets or convenience stores.</p>	<p>Category A: Minimum paid-up capital < USD2.5 million reserved exclusively for Filipinos.</p> <p>Category B: 60% foreign ownership for minimum paid-up capital of USD2.5 M.</p> <p>The opening of branches by a foreign retailer is allowed, provided that the investments of each store/branch established under Category B must be no less than the peso equivalent of USD830 thousand.</p> <p>Category D:</p>	<p>All industries are open to foreign investment with an emphasis on industries with worldwide markets and scope for progressive growth in technology.</p>	<p>The industry is included in List 3: Businesses in which Thai nationals are not yet ready to compete with foreigner.</p> <p>Only foreign owned retailers with a total minimum capital of THB100 million or a minimum capital of THB20 million per shop is exempted from this restriction. (Foreign Business Act of 1999)</p>	<p>FDI in retail requires the application of a Store Establishment License for the first retail store/outlet. Succeeding outlets are subject to a strict economic needs test except if it is <500m², located in designated trading center, and is not a mini-supermarket or convenience store.</p> <p>(Law of Enterprise, Law of Investments, and Decree No. 09/2018/ND-CP)</p>

<p>may be obtained in some circumstances (Companies Act of 1957)</p>		<p>foreigners: Retail of motorcycles and commercial vehicles, supermarkets, mini-markets, retail of textile, games and toys in stores, cosmetic articles, footwear, electronics, mail order houses or via internet, and food and beverages. [Daftar Negatif Investasi (Negative Investment List) through Presidential Regulation No. 44 of 2016]</p>	<p>No. 1005/MOIC)</p>	<p>news agent and miscellaneous goods store, medical hall, fuel station, permanent wet market store, permanent pavement store, non-exclusive textile, food and beverage, jewelry shop, and those of national strategic interest. (Revised Guidelines on Foreign Participation in the Distributive Trade Services 2020)</p>	<p>(Notification No. 25/2018)</p>	<p>100% foreign ownership for enterprises specializing in high end or luxury products, provided that the paid-up capital per store is USD250 thousand. (Retail Trade Liberalization Act of 2000)</p>			
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Source: OECD (2014, 2019) and updated by BTIPR using country documents/legislations

Table 4. Summary of Leads Engaged in Retail Trade

Year assisted/ generated	Country/ Nationality	Number of Leads	Estimated Project Value (PhpM)	Projected employment
2018	China	1		
	UAE	2		
	Japan	1		
2019	Australia	1		
	Philippines	1		
	China	5		
	Taiwan	2		
	Russia	8		
	USA	1		
	UAE	1		
	KSA(Saudi)	1		
	2020	China	2	50
Denmark		1		
Canada		1		
Indonesia		1		
Japan		2	650	2250
Singapore		1		
Korea		1		
TOTAL		33	700	2250

Source: Board of Investments

Figure 5. Process Flow for Pre-Qualification of Foreign Retailers

